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# FOREIGN POLICY BULLETIN

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## AMERICAN NATIONS SEEK COMMON GROUND IN POSTWAR PLANNING

by Olive Holmes

*who has just returned from the Mexico City conference, which she attended as the accredited press representative of the Foreign Policy Association.*

THE Inter-American Conference on Problems of War and Peace marked a turning-point in relations among the American states. Those who had read into hemisphere events of recent months a deterioration of this delicately balanced system of international cooperation were given strong reason to believe that from the gathering of the Foreign Ministers of twenty New World countries a sense of closer identity in the post-war period would result.

That the American states were able at last to come together and discuss common problems was in itself an important factor in clearing the atmosphere. These problems were numerous and complex, and represented the accumulation of many months during which the consultative procedures so carefully elaborated in successive Pan-American conferences had been almost entirely inactive. Out of the plethora of resolutions presented to the Mexico City conference one salient fact emerged: to the Latin American representatives, at least, the period of transition from war to peace presented more uncertainties than had the war period itself.

They were concerned chiefly with economic problems and looked to this country to assist them, not merely to reconvert to peacetime economic bases but to proceed with programs of industrial development which had been interrupted by the war. Possibly the main preoccupation of the United States, on the other hand, was the maintenance of a united front against the eventuality that the Axis underground might consolidate what is, in Washington's view, its potential bridgehead in Argentina. To this end, the United States was prepared to give such specific assurances of close economic and political cooperation

as were consistent with its world economic policies and its participation in the proposed security organization. This awareness of interdependence was evident in all the deliberations of the conference, and placed the participants on an equal footing. Neither the United States nor its Latin American neighbors gave the impression of laying down terms or asking favors.

**ECONOMIC TENSIONS LESSENERED.** The Economic Charter presented by the United States' delegation sketched the lines of development in Latin America. It will remain for future conferences—in particular, the Inter-American Technical Economic Conference scheduled for next June—to give these plans substance. While fundamentally in agreement with the long-term objectives of the program, Latin American delegates would have liked more concrete indication of what the United States might do to soften the blow resulting from termination of its wartime buying of strategic materials, as well as definite assurance that a fair share of American production of capital goods would be allocated to Latin America. The American delegation made general assertions that adequate notice of the lapse of war contracts would be given, that Congressional approval would be sought for the maintenance of raw material stockpiles in order to facilitate continued purchases of these commodities; and promised that, as long as war controls were maintained, Latin American countries would receive their quotas of the commercial exports of this country. But Washington's delegates did not feel prepared to commit the American people to special favorable treatment for Latin America beyond this. In general, it was our position that while we would do what is feasible to ease the transition for them, no nation could hope to escape post-war economic readjustments scot-free.

As regards the broad principles of the Economic

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Charter, moreover, considerable rephrasing was necessary to reconcile the United States' objective of achieving multilateral trade with the Latin American goal of industrial development, encouraged and protected, if necessary, by nationalistic tariff and monetary policies. It was the opinion of Latin American delegates that their countries, at the present stage of development, cannot afford the degree of economic liberty to which the original draft of the Charter would have committed them. Thus, the final resolution contained certain reservations with regard to progressive reduction of tariff barriers, elimination of controls on the activities of foreign business interests in the various countries, and the establishment of state enterprises for the conduct of trade. But Latin American delegates did not return to their countries empty-handed. Assistant Secretary William Clayton was able to allay their worst fears—that the United States would assume no economic obligations in the hemisphere—while at the same time he maintained a scrupulous respect for the over-all aims of American economic policy.

**CHAPULTEPEC AND ARGENTINA.** Give-and-take characterized the political, as well as the economic, discussions. Here, however, the Latin American countries definitely assumed the initiative. The Act of Chapultepec,\* hailed by the Latin American press as the continentalization of the Monroe Doctrine, was the end-product of draft resolutions presented by Colombia, Brazil and Uruguay to guarantee the political independence and territorial integrity of the American states. It is not surprising that the terms of these draft resolutions varied in forcefulness in direct relation to the respective country's proximity to Argentina—for it is from that quarter that a threat to the peace of the hemisphere might be expected to materialize. The State Department may have anticipated that future problems of this nature would be tackled under the new consultative powers on political matters recom-

\*See *Foreign Policy Bulletin*, March 9, 1945.

### WILL PEACEMAKERS OF 1945 AVOID ECONOMIC PITFALLS OF 1919?

Realizing that economic stability in the post-war period is just as important as provisions for political security, the United Nations have sought to outline plans designed to rehabilitate war-devastated areas, expand world economy, and offer greater facilities for the normal functioning of international trade. It is instructive, therefore, to compare the present program with that contemplated at the time of the Paris Peace Conference after the last war. For Congress is now considering the Bretton Woods monetary proposals, and the forthcoming United Nations conference in San Francisco must pass on the various plans for future economic security.

**PEACEMAKING—1919.** Unlike the situation in

mended for the Pan American Union, but the real uneasiness manifested by close neighbors of Argentina made it imperative that effective machinery be established immediately.

The Act of Chapultepec, therefore, was the Mexico City decision on the vexatious Argentine problem, which never came up for discussion in the open sessions. The only direct reference to that country in the Final Act of the Conference was a rather conciliatory resolution deploring the fact that the "Argentine Nation" had not yet found it possible to take the necessary steps that would have permitted its participation, and formally expressing the hope that Buenos Aires would adhere to the Declaration of the United Nations, as well as to the decisions taken at Mexico City. These measures, if resolutely effected, would lead to war with Germany and Japan. So, while the Farrell-Perón government cannot misinterpret the tenor of the Act of Chapultepec, it finds the door left open to reentry into the comity of American nations—and can take this action without too great a loss of national prestige.

**UNFINISHED BUSINESS.** Only a beginning was made at Mexico City toward the solution of many of these continental problems. At the San Francisco conference the regional objectives of Chapultepec must somehow be harmonized with the general aims of world security organization. The far-reaching recommendations for increasing the powers of the Pan American Union will have to rest until the regular Pan-American Conference at Bogotá in 1946, for the Mexico meeting of Foreign Ministers had no authority to make decisions regarding the Union. In addition, the future of Latin American economic development and inter-American trade prospects ultimately depend on the trade policies evolved by the major industrial powers. The historical significance of the Mexico meeting lies in the fact that the American nations, in contrast to the experience after 1918 when war-fostered unity collapsed like a spent balloon, expect to continue and strengthen cooperative procedures in the New World.

1919, when President Wilson insisted that the League of Nations Covenant be incorporated in the treaty of Versailles, both the present political proposals outlined at Dumbarton Oaks and the Bretton Woods monetary plans were drafted separately and are also being considered apart from the final terms to be imposed on the Axis under the unconditional surrender formula. The contrast in the economic field is perhaps less striking than in the realm of world political organization, for in 1919 the peacemakers at Paris were reluctant to tackle economic problems at all, much less on a world scale.

The Versailles treaty did include lengthy provisions with respect to reparations, both in money and

kind, which were to be obtained from Germany. This matter, alone among present economic considerations facing the victorious Allies, will probably also be included in the terms imposed on the Reich. Without pursuing the contrast to its extreme, it is apparent that the present peacemakers have undertaken their tasks in a strikingly different manner. After the futile experience in collecting reparations from Germany in the years following the last war, it is wholly natural that the Allies should think less in terms of exacting huge sums from Germany, and rather more of the manner in which such payments are to be made. This problem is related to that of total war costs, but this time the Allies will not be harassed with the difficult and burdensome war-debt problem which resulted from the last war. The lend-lease mechanism and reverse lend-lease system, by which the war costs have been so largely financed, allow of a much speedier and more feasible solution than was the case after 1919. Doubtless a major portion of the lend-lease debts will be cancelled; this is certainly the assumption underlying Article VII of the master lend-lease agreement. Whether payment will be required for those lend-lease materials which remain unused and enter into international trade after the war is yet to be determined, but the final settlement is to be one that will not burden commerce.

That this issue may become a major political factor in the United States cannot be doubted after last week's vote on the renewal of the lend-lease appropriations in the House of Representatives, where a score of Congressmen voted in the negative on the measure. Their votes can only indicate in reality a misunderstanding of the purposes of lend-lease. However, if the final lend-lease settlement is to be consonant with the assumptions made at the initiation of the system, then Congress will appreciate

that in financing the war in this fashion we have bought our own defense both in theory and in fact by supplying our Allies during the war. In insisting that the final terms be such as will aid future economic expansion, we shall also relieve the United Nations of inter-Allied pressure for debt collections. In the interwar years this meant pressure for reparation collections, which in turn led to American loans to Germany for purposes of activating what became a vicious financial circle.

**PRESENT ECONOMIC PEACE TERMS.** No greater contrast exists between present proposals for dealing with post-war international economic problems and those provided by the Versailles settlement than in the case of the International Monetary Fund and the Bank for Reconstruction and Development. Currently under consideration by Congress, the Bretton Woods schemes have occasioned much opposition; but it is now expected that the plans will be adopted in major conformity to the draft prepared by the 44 nations last July. Certain critics have tended to regard the adoption of these plans as putting the cart before the horse, arguing that there is neither assurance of future political security, nor assurance of an expanding world trade—an atmosphere necessary for the proper functioning of the mechanism of the Fund and Bank. Yet drafting the Bretton Woods proposals separately from those of Dumbarton Oaks testifies to their importance, and in considering them alone the United Nations and the American Congress is considering an interdependent part of the future world security structure.

The Versailles peace comprised no such comprehensive program. True, the Paris Peace Conference did create the International Labor Office and provided for economic advisers to the League Secretariat. Present plans go much further, however, and the Dumbarton Oaks scheme proposes the creation of an Economic and Social Council—responsible to the General Assembly—which shall have power to coordinate the work of various economic agencies erected after the war or now in existence. The experience of the interwar period testifies to the need for a Council with such powers of coordination. Charged with creating conditions of economic stability and furthering world economic expansion, the Council represents a marked advance over the pre-war period when each country, confronted by economic stress or world depression, reacted by restrictive unilateral action that led only to a worsening of the problem for all nations.

GRANT S. MCCLELLAN

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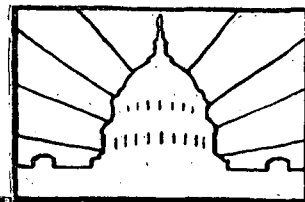
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# Washington News Letter



## BOMBING ALONE WILL NOT DEFEAT JAPAN

The conquest of Iwo Jima—on which only scattered remnants of the Japanese forces were left—paves the way for more frequent air raids involving increasing numbers of planes against Japan. The tiny island provides the United States with a base for B-29s only 760 miles south of Tokyo, and also deprives the Japanese of a base which they used successfully for assaults against B-29 fields at Saipan, 717 miles south of Iwo Jima. The forthcoming heavier air bombardment will make a valuable contribution to our progress toward victory unless the civilian population of the United States relaxes in the mistaken belief that to bomb Japan is to defeat Japan. With Japan as with Germany, tanks, guns, rifles and foot soldiers, rather than planes, will be the climactic agents of victory. The bomb dropped from above is a harrassing and disorganizing missile, but not decisive in itself.

**OPTIMISM ON BOMBINGS.** The decline of full faith in the power of concerted strategic air attacks against the enemy's industrial emplacements has been slow. When Prime Minister Churchill visited Washington in May 1943, he told Congress that while opinion was divided as to whether the use of air power alone could bring about a collapse in Germany or Italy, it was an experiment worth trying if other measures were not excluded. In those days the newspapers were filled with exhilarating accounts of panic in Essen, Duisburg, Dortmund and Wuppertal; similar to reports now being printed about panic and fires in Tokyo. Official belief that years of block-buster attacks had seriously crippled German industry led some high military and political authorities in the summer of 1944 to think the war might be concluded by autumn. The error lay in the failure of Allied economic intelligence to appreciate the enemy's ability to reconstruct factories and to wage a war based on decentralized, even scattered, industry.

The U.S. Army Air Forces are making no inflated claims for their bombing assaults against Japan. The bombing operations fit into the broad picture of the developing pincers against the Asiatic enemy: naval disruption of his shipping with the Indies, Singapore, Thailand and Indo-China, and interference with sea communications between Japan and China; the military defeats being meted out to Japanese land forces in Iwo Jima, the Philippines and Burma; and the plan for directly engaging the major portion of

the Japanese Army through invasion of eastern China from the sea and eventually of Japan itself. Strategic air operations are in their pioneer stages. There has been but one raid using as many as 1,000 planes; most frequently the attack involves 300 planes, and some use only 50. These are small numbers.

**JAPAN MORE VULNERABLE.** On the other hand, Japanese anti-aircraft fire has been unable to prevent low-level bombing, and incendiary bombs dropped on Japan are more destructive weapons than the Allies possessed during the period of strategic air attack against Germany. In the long run, the bombing of Japan may produce a more direct effect than the bombing of Germany, for Japan's industrial efficiency cannot be expected to match that of its Axis partner.

Furthermore, Japanese political stability is more shaken by the raids and other adverse military developments than the stronger German tyranny. As Admiral Seizo Kobayashi pressed for the organization of a new political party on March 8, he remarked that Japan's mainland "is now virtually turned into a battlefield." In Japan there are more opportunities than in Germany for public protest against official policy, and as long ago as January 15 *Domei*, the Japanese news agency, reported a "demand by the nation for a stronger internal structure to meet the growing seriousness of the war." The Diet recently has been the scene of a long debate on the question whether Japan was improving its combat airplanes adequately to cope with the increasing menace of the B-29.

In February Japan began to take steps to frustrate industrial destruction from the air. On February 13 the Tokyo radio said that aircraft factories and other vital war plants were being moved to Manchuria, but this may mask a program for scattering the plants around the Japanese islands instead of over the Asiatic mainland. Moreover, the instances of factionalism which the Japanese radio spreads before the world may represent an effort to mislead us into thinking the task of victory for the Allies in the Pacific simpler than it is. Over-optimistic interpretation of the effect of the bombings would play into the hands of the makers of such a propaganda. The Administration in Washington is prepared for a long war, that will end only when Japan's ground forces can struggle on no longer.

BLAIR BOLLES

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